



Research Report

On

Crisis Management of Hotels in Phuket: Compare and Contrast  
between Thai and Foreign Hotel Management Styles

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This research is awarded a research grant from Dhurakij Pundit University

2005

ISBN 974-9746-45-7

## **Abstract**

This study investigates how hotels in Phuket, Thailand have managed the crises that have happened recently. As this research focuses at how Thai and foreign owned hotels in Phuket manage a series of crises from the event of September 11, 2001 until August 31, 2004, one issue that needs to be recognized is that this research has been undertaken prior to an event of the tsunami crisis in late 2004. In pursuit of the research objectives, the exploratory research approach was selected with an in-depth interview as a data collection method.

The results of this study suggest that there are clear differences between Thai and foreign hotels' crisis management styles. Moreover, the hotels in Phuket have not only implemented crisis management procedures, but also marketing strategies in order to handle with a number of incidents. In addition, strong strategic alliance and effective communication have been taken into consideration as it could reduce the impact of the crises. Finally, managerial implications and recommendation for further studies are presented.

## **Acknowledgement**

This research could not have been done without kind cooperation from hotel managers in Phuket who we would like to give a million thanks. The supports from Dhurakij Pundit University (DPU) allowed us to do this study smoothly and successfully.

Our thoughts and the research have also benefited from worthwhile suggestions given by the Director of DPU Research Center, Associate Professor Dr. Sorachai Bhisalbutra, who has contributed substantially to the theoretical development this research.

Finally, we would like to acknowledge the supports from our families. We are very grateful for their understanding and encouragement.

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REVPAR

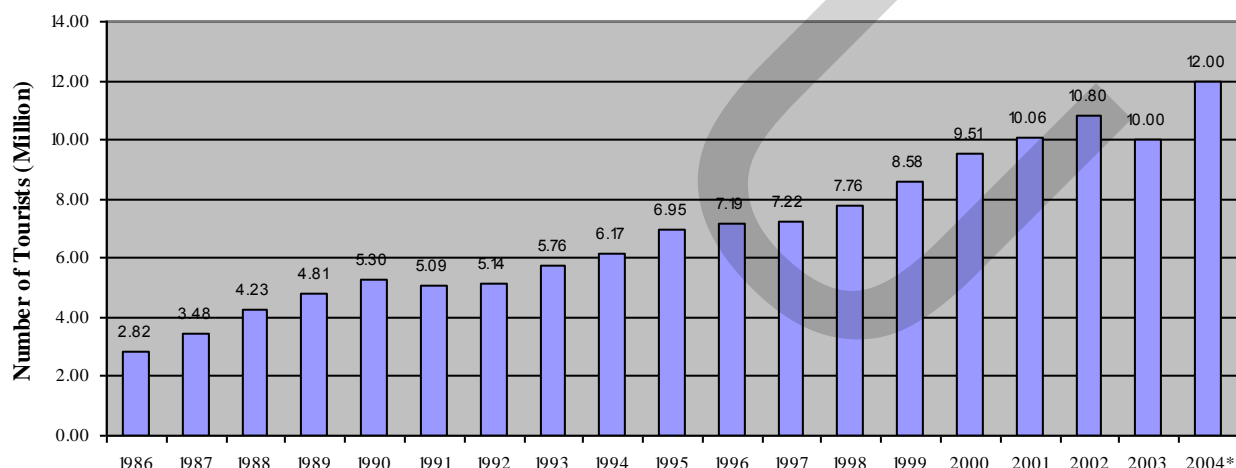
# Chapter I

## Introduction

### Introduction

Known as Siam until 1939, Thailand is one of the world's most popular tourist destinations (Koumelis, 2004). As such a nation's crucial export industry, tourism contributes approximately 6 per cent to Thailand's GDP or around 10 per cent of goods and service exports (EIU ViewsWire, 2003a). Since "Visit Thailand Year" promotional campaign launched in 1987, the number of international tourist visiting Thailand has increased significantly (Figure 1.1). However, Thai tourism has been beset by several incidents including the Gulf War in 1991, the Financial Crisis in 1997, and the American-Iraqi conflict and the Severe Acute Respiratory Syndrome (SARS) epidemic in 2003. As a result, tourist arrivals and expenditure decreased or stagnated during those years.

**Figure 1.1: Tourist Arrivals in Thailand, 1986-2004**



\* Projected Number of Tourist Arrivals by the Ministry of Tourism and Sports

Source: Tourism Authority of Thailand (TAT)

Meanwhile, tourism industries worldwide have been severely affected by the terrorist attack on September 11<sup>th</sup>, 2001 because most tourists and business travelers felt that it was unsafe to travel, in particular by airplane (Stafford et al, 2002), tourist arrivals in Thailand increased by 5.8 per cent in that year. It might be because of Thailand's reputation as a safe and stable society and also its efforts to step up security for visitors (EIU ViewsWire, 2003b).

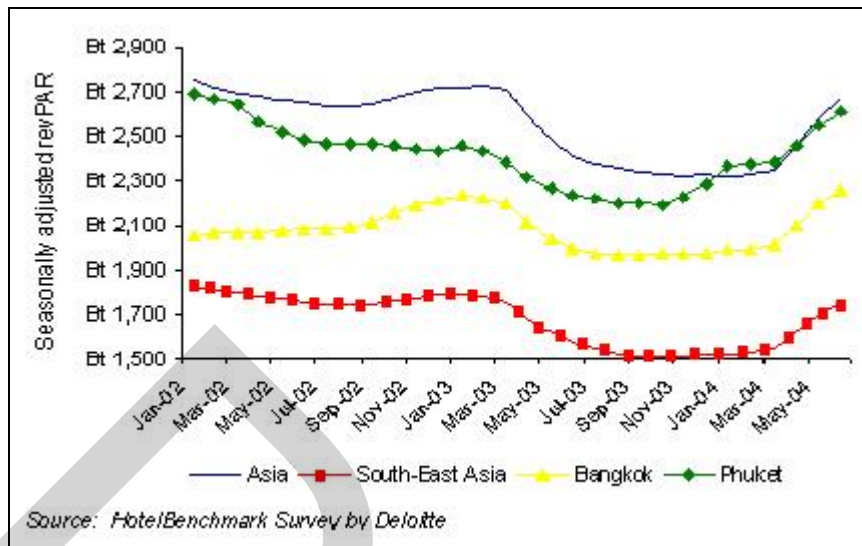
Thailand looks forward to welcome more visitors in years to come. Tourism Authority of Thailand (TAT) has projected the number of international tourists arrivals in 2004 to reach 12 million, implying an annual growth rate of 25 per cent on the 9.6 million arrivals in 2003 (TAT, 2004a). Unfortunately, since early 2004, Thai tourism has been facing two major incidents: the Avian Influenza (Bird Flu) epidemic and the disturbances in the far south of Thailand. TAT and executives of the Thai tourism private sector, however, believe that the incidents have had a minimal effect on the Thai tourism industry, and suggest that the arrivals target for 2004 was still achievable (TAT, 2004b; 2004c).

Hotels in Thailand have played an important role in the success of Thai tourism industry. They have improved their performances continually, in particular those in resort areas like Phuket and in the capital, Bangkok (Koumelis, 2004). This is supported by the results of the HotelBenchmark Annual Profitability Survey (Figure 1.2) indicating that both Bangkok and Phuket were among the most profitable Asian markets in which to operate a hotel in 2003 (Deloitte, 2004).

Typically, in accordance with figure 1.2, it could be seen that South-East Asian markets perform below the Asia region as a whole. Nonetheless, both Bangkok and Phuket surpass the combined results of the South-East Asia region. Interestingly, Phuket's RevPAR has also traded in line with the regional average for Asia since the beginning of 2004 (Deloitte, 2004).



**Figure 1.2: RevPAR performance of Bangkok and Phuket versus Asia and South-East Asia**



Further ahead, the TAT has announced that it plans to attract up to 30 million visitors a year by 2010. Tourism industry executives have scoffed at such plans, suggesting that the government concentrate on boosting average spending per tourist. Although the main focus of the TAT's promotional activity is on high-end tourists, Thailand has been named as the leading destination for low-end independent travelers in a recent survey by Lonely Planet, a publisher of guide books for independent travelers (EIU ViewsWire, 2004).

Growth in the tourism industry in recent years was the result of various factors, including the traveler's perception, competition among airlines, infrastructure developments, and mass-transportation development. The major success part is a traveler's perception toward Thailand. According to Rittichainuwat, Qu, and Brown (2001), a research in June 2000 showed that international travelers have a positive attitude toward Thailand. This research surveyed 510 tourists in order to examine their perception of Thailand as an international travel destination and assessed the effects of the destination's image. The study indicates that Thailand has a positive image as a rich cultural, natural, and historical travel destination (Rittichainuwat et al., 2001). EIU ViewsWire (2003d) added that Thailand also benefited from its reputation as a safe and stable society and also its efforts to step up security for visitors. Nonetheless, Rittichainuwat, Qu, and Brown (2001) reported that Thailand's image is still dominated by pollution, prostitution, and deterioration of some tourist attractions.

Other key factors that contribute to the growth of tourism in Thailand is an aggressive marketing campaigns and an increase in the number of airlines offering flights to Thailand (EIU ViewsWire, 2003d). A boost from the domestic and regional airlines offering low-cost budget flights is another key success factor. In early January 2004 Air Asia, a partnership between Thailand's Shin Corp, and Malaysia's Air Asia, launched a new budget service with routes from Bangkok to four domestic destinations, including Chiang Mai, Phuket, Hat Yai and Khon Kaen. Another budget airline, One-Two-Go, which is owned by a private Thai airline, Orient Thai Airlines, launched its service in 2004 with a flight from Bangkok to Chiang Mai. Moreover, the national airline, Thai Airways International, and privately owned PB Air have also announced plans to establish "no frills" budget services. As a result of a competition in the airline businesses, Thailand's tourism industry is likely to attract more travelers who travel with airplane as a mode of transportation. (EIU ViewsWire, 2004).

According to Bangkok Post (2003b), a number of major infrastructure developments are expected to enhance the quality of the visitor experience in Bangkok and strengthen Thailand's tourism. Bangkok's new international airport, Suvarnabhumi Airport, will have a capacity to handle 112 flights per hour, roughly 45 million passengers a year and a peak-hour capacity of about 11,000 passengers. The new airport will play a major role in boosting the role of Thailand as a regional aviation hub.

The subway is another development that boosts tourism in Thailand. Like the sky train, the subway is expected to play a major role in improving the quality of the visitor experience in Bangkok by helping tourists, business travelers and convention delegates get around easily, safely and conveniently. That will boost the average length of stay and allow visitors to enjoy its many attractions, department stores and shopping complexes (Bangkok Post, 2003b). Factors contributed to the tourism growth also include the political stability, geographic location in the heart of South-East Asia (Koumelis, 2004), the depreciation of the baht against non-Asian currencies (EIU ViewsWire, 2003d), the Thai hospitality (Koumelis, 2004; National Identity Board, 2000), ancient culture and cuisine, and a world renowned tourist destination (National Identity Board, 2000).

Although Thailand enjoys the tourism growth, however, the tourism industry in Thailand has faced international and domestic crises for more than a decade. Regrettably, it should also be evident that Thailand has been suffered from crises like many travel destinations since 1991. In 1991, Thailand was affected by series of adverse incidents including the Gulf War, a military rebellion, and continuing tragic stories about the environment. However, situations are recovering in 1992 as an initiative of green awareness in Thailand is creating a better impression, hotel rates continue to be attractive to conference and incentive groups, and the shopping is considered among the best in Southeast Asia. With an aggressive marketing, Bangkok has attracted several new hotel projects at that time, including the Dusit Thani and the Shangri La. An event in Bangkok is invariably combined with sun, sea, and sand. Several new hotels are opening on the island of Phuket as well (Bryant, 1992).

It should be pointed out that recent major crises started from 11 September 2001 when the terrorist attacked World Trade Center and the Pentagon in the United States. According to Stafford et al (2002), hotel businesses worldwide have been severely affected by this tragedy, as most tourists and business travelers felt that it is unsafe to travel by airplane. It has been observed by Crispin (2002) that Thailand was initially the only country in Southeast Asia to declare its neutrality. Later on, surprisingly, the Thai government decided to become an alliance with the U.S.-led campaign against terrorism. Nonetheless, Bangkok was still reluctant to become entangled in a broader conflict with the region's delicate political, economic and religious balance.

Fortunately, tourism continues to be recognized as one of the brightest industries of Thailand in 2001 (Intarakomalyasut, 2002; Mertens, 2001). Tourist arrivals also increase by 5.8% to more than 10 million in 2001, despite the global economic downturn and the September 11th terrorist attacks in the United States (EIU ViewsWire, 2003d). There are several explanations for this outcome. Part of the reasons is due to the stability of travel volume within Asia, which has been less affected by the current crisis. As a relatively new and growing Thai industry, the tourism industry is packed with various small and medium-sized players, which are less vulnerable to the downturn than big operators. Further more, many boutique

hotels and guesthouses, spas and niche tour operators continued to be profitable from free and independent travelers (FITs) and small groups. World travelers also tend to change their traveling plan to Thailand and other Asian countries, instead of the United States due to a security concern (Mertens, 2001).

In early 2002, the number of foreign tourist arrivals increase more than 7% year on year to 10.8 million. According to the TAT, revenue generated from foreign tourists in 2002 is estimated to have reached more than 320 billion Baht, up by 8.5% year on year (EIU ViewsWire, 2003d). However, the tourism activity in late 2002 is still dominated by the bombing tragedy in Bali. According to Feinberg (2002), the massacre bomb exploded in a Bali nightclub on October 12, killing about 200 people. This catastrophe has raised the risk premium in southern Asia and has caused equity returns to go down in Thailand. There is definitely some downside potential in Thailand according to this terrorist attack. Crispin (2002) also endorsed that Thailand may be forced to confront the problem prior to the October's deadly bombing in Bali. Further more, many Western embassies have upgraded their travel advisories for Thailand and other Southeast Asian countries based on fears that another terrorist attack may be imminent.

Domestic crises also affect the tourism industry in 2002. In November 2002, five schools were burned down in one day in Southern Thailand. A bomb also went off at a Buddhist temple, another outside a hotel and one just failed to detonate at a shrine. In addition, five train stations in the region received bomb threats that fortunately proved false. The next day, however, a real bomb was found and defused, while another threat proved false. Such negative events naturally attract speculation over international involvement. (Far Eastern Economic Review, 2002).

In 2003, the downturn in Thailand's tourism receipts as a result of the Iraq war and Severe Acute Respiratory Syndrome (SARS) (Bangkok Post, 2003a; Crispin, 2003; EIU ViewsWire, 2003a, 2003b, 2003d, 2004; TAT, 2004d). Although Thailand had managed to avoid the worst of the outbreak of SARS in terms of suspected cases and deaths, the threat of contracting SARS, together with the US-led war in Iraq, resulted in massive travel cancellations in the second quarter of 2003 (EIU ViewsWire, 2003d). International arrivals also plunged by around 10.5% year on year mainly

because of the outbreak of SARS and the negative impact of the US-led war in Iraq (EIU ViewsWire, 2004).

As a result, concerns over travel safety during the war in Iraq are causing tourists to cancel their travel plans to Thailand, depriving the economy of a key source of foreign income. According to the TAT, since the start of the war in Iraq, around 50,000 visits have been cancelled for April to June, and hotels are experiencing cancellation rates of 5-10%. The TAT estimates revenue lost so far for this period at 2 Billion Baht (EIU ViewsWire, 2003a). As mentioned above, another key dominant of tourism activities in 2003 is the SARS outbreak, which has a strong negative impact on the Thailand's tourism industry (EIU ViewsWire, 2003b).

Due to the SARS outbreak, Thailand's tourism industry has been particularly hard-hit (Bangkok Post, 2003a). There has been an adverse effect in the number of tourist arrivals (EIU ViewsWire, 2003b, 2003c) and the Thailand's economy in term of GDP growth (Crispin, 2003; EIU ViewsWire, 2003c). In the first three weeks of April, the number of international arrivals at the Bangkok International Airport plunged by more than 40% year on year (EIU ViewsWire, 2003d). Inbound tourism fell by 43% in April 2003, with average hotel-occupancy falling to a record low of 25%. There are indications the rot is now spreading through the broader economy. SARS fears are weighing on consumer confidence, which waned in both March and April, the first consecutive monthly decline since 2001 (Crispin, 2003).

By late April 2003, the decline in tourist arrivals had resulted in industry losses amounting to around 30-40 Billion Baht. In addition, visitor arrivals at Bangkok International Airport during January-May 2003 witnessed a total decline of 18.17% to 2,612,134. Arrivals from the Middle East showed the biggest decline of 33.51% to 50,062, while visitors from Europe showed the lowest decline of 9.30% to 786,229 (Bangkok Post, 2003a). In an effort to regain occupancy rates, particularly from domestic tourists, more than 170 luxury hotels offered discounts of up to 70% on room rates between May and October (EIU ViewsWire, 2003d).

The fact is, Thailand has thus far been spared the SARS (Crispin, 2003) and has only witnessed eight cases of SARS (EIU ViewsWire, 2003c). To regain and maintain

traveler's confidence, the Thai government has launched several new policy initiatives. The government announced a 1 billion baht rescue package for the tourism industry, which includes a new state-backed insurance scheme that will pay any tourist \$100,000 if anyone is infected by SARS in Thailand. This initiative comes on top of a recent state-led promotional campaign aimed at attracting more domestic tourism (Crispin, 2003).

To secure a tourist arrival from the international market, the government also employed short and medium-term campaigns to be launched in different markets. The campaigns are aimed to stimulate a desire to travel as well as convert that desire into choosing Thailand as the destination (Bangkok Post, 2003a).

Thailand's tourism recovery then started in July 2003, which partly due to the public and private partnership in marketing promotion. Pricing strategy, as part of the marketing mix, was implemented to attract international visitors. Regardless of the pricing strategy, Thailand also gained tourist traffic through the travel security presented by the Royal Thai Government as the host of the APEC conference in October, and the launch of low-cost airlines towards the end of the year (TAT, 2004b).

To highlight some of the significant figures in 2003, table 1.1 and 1.2 illustrate key tourist statistics by showing that while the international tourist market is in a downturn due to crises in 2003, massive increase in revenue could be seen from a domestic tourist market.

**Table 1.1: International Tourist Statistics**

Year	International						
	Tourist		Average	Average Expenditure		Revenue	
	Number	Change	Length of Stay	/person /day	Change	Million	Change
	(Million)	(%)	(Days)	(Baht)	(%)	(Baht)	(%)
1996 <sup>1</sup>	7.19	+3.46	8.23	3,706	+ 0.34	219,364	+14.99
1997 <sup>1</sup>	7.22	+0.41	8.33	3,672	-0.92	220,754	+0.63
1998 <sup>1</sup>	7.76	+7.53	8.40	3,713	+1.12	242,177	+9.70
1999 <sup>1</sup>	8.58	+10.50	7.96	3,705	-0.23	253,018	+4.48
2000 <sup>1</sup>	9.51	+10.82	7.77	3,861	+4.23	285,272	+12.75
2001 <sup>1</sup>	10.06	+5.82	7.93	3,748	-2.93	299,047	+4.83
2002 <sup>1</sup>	10.80	+7.33	7.98	3,754	+0.16	323,484	+8.17
2003 <sup>1</sup>	10.00	-7.36	8.19	3,774	+ 0.55	309,269	-4.39
2004 <sup>2</sup>	12.00	+19.95	8.00	4,000	+5.97	384,000	+24.16
2005 <sup>2</sup>	13.38	+11.50	8.10	4,150	+3.75	450,000	+17.19

**Table 1.2: Domestic Tourist Statistics**

Year	Domestic						
	Thai Visitor		Average	Average Expenditure		Revenue	
	Trip	Change	Length of Stay	/person /day	Change	Million	Change
	(Million)	(%)	(Days)	(Baht)	(%)	(Baht)	(%)
1996 <sup>1</sup>	52.47	+0.40	2.22	1,314	+6.41	157,323	+6.20
1997 <sup>1</sup>	52.05	-0.78	2.31	1,466	+11.58	180,388	+14.66
1998 <sup>1</sup>	51.68	-0.72	2.37	1,513	+3.18	187,898	+4.16
1999 <sup>1</sup>	53.62	+3.02	2.43	1,523	+2.26	203,179	+7.42
2000 <sup>1</sup>	54.74	+2.08	2.48	1,718	+12.79	210,516	+3.61
2001 <sup>1</sup>	58.62	+7.09	2.51	1,703	-0.89	223,732	+6.28
2002 <sup>1</sup>	61.82	+5.45	2.55	1,690	-0.77	235,337	+5.19
2003 <sup>1</sup>	69.36	+12.20	2.61	1,824	+7.98	289,987	+23.22
2004 <sup>2</sup>	73.18	+5.51	2.65	1,895	+3.87	322,300	+11.14
2005 <sup>2</sup>	76.25	+4.19	2.65	1,965	+3.69	347,300	+7.76

Note: /1=Actual

/2= Tourism Strategy of the Ministry of Tourism and Sports

Source: Tourism Authority of Thailand (2004b)

In 2004, the bird flu infection is a crisis that influences the tourism industry. Intarakomalyasut (2004a) reported that the bird flu disease creates fear throughout Asian countries, but only had an insignificant effect on tourism in Thailand. Even though some international tourists expressed concern over the bird flu situation in Thailand, the bird flu could mostly be affected to those who have a direct contact with infected birds. Ten people have died in the country since the bird flu outbreak was first reported in January 2004, with another 20 deaths reported in Vietnam. All cases to date have involved farm workers or young children in close proximity to infected birds (Bangkok Post, 2004).

Unexpectedly, Thailand's tourism industry reacted calmly to reports that the first case of human-to-human transmission of bird flu had been discovered in the country (Bangkok Post, 2004). In the government sector, the Thai government also implemented many campaigns to educate its citizen that human-to-human transmission is deemed extremely unlikely, and there is little or no risk in consuming properly cooked chicken (Intarakomalyasut, 2004a). In addition, Tourism and Sports minister stated despite the concerns over bird flu, tourism figures were unlikely to be affected this year. The minister noted that the Tourism Authority of Thailand had said airline reservations and hotels were reporting strong bookings for the upcoming high-season (Bangkok Post, 2004). In addition, the Tourism Authority of Thailand (TAT) also confirmed that concerns over the occurrence of Avian Flu in Asia has not affected travel to Thailand (TAT, 2004b)

Contrary from the Tourism Authority of Thailand's confidence in Thailand as a safe destination, travelers worldwide continue to perceive Thailand as an unsafe place to go to. Crispin (2002) explained that many Bangkok-based Western diplomats believe that terrorist groups have amended their target away from more secure official Western targets, such as embassies, and are now focusing on so called "soft" targets such as tourist resorts and entertainment venues popular with Western nationals. Moreover, Thailand certainly is also infamous for being accessible to terrorists with its tourist-friendly, easy immigration systems. Thailand's borders are notoriously porous, particularly in the jungle areas of the south, where Islamic extremist groups are known to be active. Western intelligence officials corroborate recent international



press reports that a group of Al Qaeda-linked terrorists met in southern Thailand in January this year to set a strategy for hitting soft targets across Southeast Asia.

As a result, many countries had issued travel advisories toward traveling to Thailand. Those countries include the United States of America (American Embassy, 2004), United Kingdom (British Embassy, 2004), and Australia (Australian Embassy, 2004). Further more, Crispin (2002) endorsed that both the British and German embassies in Bangkok have identified the beach resorts of Pattaya and Phuket as potential danger spots. However, the vague warnings from Western governments are taking a heavy toll on Thailand's revenue-generating tourism industry, which was on course to contribute 6% of the country's economic output this year. According to the Bangkok-based Pacific Asia Travel Association, or PATA, scores of international conventions and meetings have been cancelled, and thousands of tourists from Europe have dropped plans to visit Thailand.

Although Thailand has been challenged by many terrorism crises in the past, Thai leaders have long denied any need to fear terrorism in Thailand. Far Eastern Economic Review (2003) reported that later on Thailand has announced arrests of many terrorists. Back in 2002, the Thai Foreign Ministry blacklisted Iranian national and suspected terrorist Jawad Meekosemi and four unnamed associates. Soon after, the U.S. Federal Bureau of Investigation helped Thai investigators bust a Bangkok-area fake travel-document ring serving Al Qaeda operatives. Moreover, the U.S. and Britain handed the Thai police a list of suspected terrorists believed to be lingering about in Bangkok's gritty and growing Middle Eastern district (Crispin, 2002). While Thaksin Shinawatra's government must be applauded for the timely arrests of JI members in Thailand, it is advised that the prime minister should be careful about pronouncing the problem with the JI group (Far Eastern Economic Review, 2003) as it could affect the tourist's attitude toward Thailand as a safe place.

From what has been discussed above, it is clear that Thailand and its tourism industry have been facing a number of crises. The continual (and surprising) growth of the Thai tourism industry amid several crises has therefore led to the question of how the industry, particularly the hotels sector in Thailand, has coped with a number of incidents to keep the business running and, indeed, growing? The purpose of this

study is therefore to answer the above question by examining crisis management of hotels in Phuket, Thailand. Moreover, the study also compares and contrasts between Thai and foreign hotel crisis management styles. The research question and specific objectives are addressed and presented next.

## **Research Question**

*What are major differences in the crisis management processes and strategies implemented by the Thai and foreign owned and/or operated hotels in Phuket?*

## **Objectives**

1. To explore and compare the crisis management processes and strategies implemented by Thai and foreign owned and/or operated hotels in Phuket.
2. To examine and analyze a cooperation among Thai and foreign stakeholders in recovering from crises.
3. To investigate the sustainable approach of the crisis management processes and strategies for the hotel sector in Phuket and Thailand

## **Definitions**

### *Crisis*

According to Coombs (1999), there have been several attempts to define “crisis”, yet a standard definition is very limited. Having a specific definition is important, because how we define a subject indicates how we approach it. Along with the literature review, some selected definitions of crisis from various crisis management experts are:

- “a serious incident affecting, for example, human safety, the environment, and/or product or corporate reputation-and which has either received or been threatened by adverse publicity” (Bland, 1998);
- “unexpected bad publicity” (Bland, 1998);

- “an unusual, unnatural, unforgiving, and unknown” (Campbell, 1999);
- “an adverse incident, or series of events, that has the potential to seriously damage an organization’s employees, operations, business and reputation” (Campbell, 1999);
- “an event that is an unpredictable, major treat that can have a negative effect on the organization, industry, or stakeholders if handled improperly” (Coombs, 1999);
- “any incident or situation, whether real, rumored or alleged, that can focus negative on a company or organization” (Ruff and Aziz, 2003).
- “any situation that has the potential to affect long-term confidence in an organization or a product, or which may interfere with its ability to continue operating normally” (Pacific Asia Travel Association, 2003).

Coombs (1999) believed that a crisis is unpredictable but not unexpected. Crises could be considered as threats with the potential to create negative or undesirable outcomes. Moreover, crisis can damage an organization in several ways, including financial loss, injuries or deaths to stakeholders, structural or property damage, discredited reputations, and environmental harm.

Ruff and Aziz (2003) argued that while most organizations assume that a crisis will be sudden and unexpected, it is much more likely to be predictable and expected. However, they extended Coombs’s (1999) thoughts in the link between crises and stakeholders. According to Ruff and Aziz (2003), crisis means anything that could potentially have an impact on the share price, in the case of an organization that offers shares to the public. For other organizations, crisis means anything that could potentially damage a reputation of an organization.

By adopting a definition of crisis in the tourism context, Aktas and Gunlu (2005) supported Ruff and Aziz (2003) that crises are a result of an unexpected event. Aktas and Gunlu (2005) also endorse Coombs’s (1999) thinking by stating that crisis has a potential to pose a threat to the effective operation with some short-term damage experienced instantly. They also agreed in the fact that crisis would cause panic and loss of control among those directly affected. According to various definition of crisis

listed above, common traits could be seen. A conclusion could be drawn that crisis is a negative event that has adverse effects on an organization, its stakeholders, and its reputation.

#### *Thai Hotel*

A hotel owned and managed by Thai management team.

#### *Foreign hotel*

A hotel owned and managed by non-Thai management team.

#### *RevPAR*

RevPAR is a performance metric in the hotel industry which stands for “revenue per available room.” It is typically calculated by multiplying a hotel’s average daily room rate (ADR) by its occupancy rate. It may also be calculated by dividing a hotel’s total guestroom revenue by the room count and the number of days in the period being measured as well (Investopedia, 2004).

### **Research Framework**

This research will explore and compare the crisis management processes and strategies implemented by Thai and foreign owned hotels in Phuket, from the event of September 11, 2001 until August 31, 2004. Samples in this survey are hotels and resorts that have a room rate of/higher than 1,500 Baht per night.

## **Limitation**

1. The samples of this research are limited to only hotels in Phuket, due to a limitation of timeframe and research budget.
2. The study will focus only hotels and resorts that have a room rate of/higher than 1,500 Baht per night.
3. This research has been done prior to the tsunami disaster on 26 December 2004. Therefore, the results of this study do not include how hotels in Phuket have managed and coped with the tsunami crisis.

## **Contribution**

It is envisaged that the findings of this research will explain strategies and processes of crisis management adopted by both Thai and foreign hotel business in Phuket. It will also explore the level and approach of cooperation among Thai and foreign hotel business in time of crisis. Eventually, the result of this research will suggest a guideline for a sustainable crisis-management strategy for the hotel businesses in Phuket and Thailand

## **Chapter II**

### **Review of Literature**

The overriding purpose of the literature review is to provide an analysis of the crisis management processes and strategies implemented by the Thai and foreign owned hotels in Phuket. Nonetheless, one issue that needs to be recognized is that this study is adopting the hotel sector as a subset of the tourism industry. As will be shown in this chapter, the review of literature includes the following discussions: crisis management, approaches to crisis management, crisis management in the hotel sector, cooperation in the hotel sector during crisis, effects of national culture on management styles, and background to the hotel sector in Phuket.

#### **Crisis Management**

The legendary phrase “Rome may not be built in a day but it could certainly be destroyed in one” (R. Hayes, 2001) could have been adopted in the crisis literature, as it also takes years to build a successful organization while it takes only minutes for a crisis to pull it apart (Campbell, 1999; R. Hayes, 2001; Reputation Management Associates, 2004; Schwartz, 2000). Crises also affect both tangible and intangible assets of the organization as Mitroff et al. (1996) pointed out that crisis can affect the entire organization, a major product line, business unit, organization’s financial performance, or even the death and well-being of customers, employees, the surrounding community and the environment itself. In addition, a crisis can destroy the public’s basic trust, its reputation, and its image as well.

According to Bland (1998), information is unexpectedly inadequate in time of crisis and therefore there is often insufficient time for organizations to conduct proper research and assessment. As there is usually no black or white, right or wrong choice when coping with crises (Bland, 1998), crisis is one of the greatest complexities that an organization has to encounter (Campbell, 1999). Bland (1998) also made an interesting point of view that it is usually the publicity that can sink an organization, not the damage from the crisis itself.

Preparing for a crisis can sometimes be more difficult than actually handling one. Some of the best handled crises have accomplished due to the relatively swift actions of the top management by saying and doing the right things. Conversely, some other organizations with elaborate crisis plans have suffered public-relations disasters despite their detailed procedures (Bland, 1998). To better prepare for a negative incident, it is important to comprehend a crisis and its attributes. Therefore, its definitions and types are discussed in the next section of this literature review.

Many scholars have made an attempt to define crisis management. Fundamentally, crisis management is a systematic effort by organizational members to avert crises or to effectively manage those that do occur (King III, 2002). As an extension of risk management, crisis management is perceived as an established management decision-making aid applied to finance, business development, and new project feasibility studies. It is also used for proactive decision-making that continuously assesses potential risks, prioritizes the risks, and implements strategies to cope with those risks (Pacific Asia Travel Association, 2003).

Moreover, O'Tool and Mikolaitis (2002) added that crisis management does not only involve identifying and controlling risks, but also identifying the context and communicating the risks in order to minimize losses while maximizing the opportunities. Coombs (1999) supported that crisis management involves a set of factors specifically aim to cope with crises and lessen the actual damage inflicted by the crisis. Crisis management also seeks to prevent or lessen the negative outcomes of a crisis and thereby protect the organization, stakeholders, and industry from damage.

Subsequently, why do organizations need to have a profound understanding of crisis management? As the need for crisis management has been increased in recent years, Coombs (1999) stated that crisis is unavoidable and it could happen to any organizations. Nowadays, unprepared organizations have more to lose today than they ever have before, because a variety of environmental developments have made all types of organizations more susceptible to crises. Furthermore, Bland (1998) has observed that crisis management is now influenced by the following developments:

- The media has power to destroy organizations, whether they are guilty or not.
- The law and lawyers tend to give a stronger support to the victims in a crisis.
- The public believe that someone must be guilty in a crisis.
- Pressure groups have experiences in creating an emotional story that attracts the media.
- Former disgruntled employees are now involved in a crisis according to business process restructuring, downsizing, right-sizing, re-engineering, and other laid-off initiatives.
- There is an increasing awareness of the need for better public relations, and issues and crisis management.

Stakeholders also play a key part in crisis management. Coombs (1999) added that some crises were generated by angry stakeholders, as they are becoming increasing more vocal when dealing with organizations. Customers have a heightened sense of awareness about consumer issues and are willing to speak out. Further more, activists groups are more organized and prepared to engage in negative publicity campaigns, boycotts, and negative information spread via the Internet. Campbell (1999) too supported that crisis management is about assuring shareholders and stakeholders that the crisis situation is under control and the future of the business is secure.

Apart from the stakeholder factor, the new media should be taken into consideration in the crisis management process. According to Coombs (1999) new communication technologies speed the transmission of communication and help to make the world a smaller place. Crises are now global, as well as news. Thus, organizations no longer have isolated crises and a higher premium is placed on crisis management as mismanagement costs seem to escalate.



Leadership is critically needed in crisis management. It is unquestionable that leadership plays a decisive part in immediate crisis response and communication (Campbell, 1999; King III, 2002; Rosenthal, 2003; Ucelli, 2002; Ulmer, 2001). Brenneman (2000), a top executive of Continental Airlines, noted that strategic direction is never more crucial than during a crisis and leaders must find the most effective plan of action, stick with it, and continually monitor the organization's performance in time of crisis. According to Rosenthal (2003), however, one issue that needs to be recognized is that in large-scale crises it will be many stakeholders and many decisional centers claiming a role in the decision-making process as well.

While crisis management and recovery is a relatively new corporate discipline, many academic institutions in USA and UK have established many academic programs in crisis management. Moreover, numerous business groups and universities have now set up centers for crisis management research and study as well (Campbell, 1999). Many studies also showed that the preventive crisis management is essential for the following corporate crises: health concern (Campbell, 1999; San, 1997; Sigrist, 1997), environmental catastrophes (Campbell, 1999; Nelson III, 1997), product tampering, major accidents, and technology problems (Campbell, 1999). In line with the literature review, it could be seen that crisis management plays a significant part in maintaining and/or leveraging a level of corporate reputation (Campbell, 1999; Hickson, 1997; Mitroff et al., 1996), corporate image (Glaesser, 2003; Hickson, 1997; Mitroff et al., 1996; Nelson III, 1997), brand loyalty (Campbell, 1999), and market share (Campbell, 1999; Hopper, 2002).

In general, it is believed that crisis management is crucial for all organizations (Coombs, 1999). By countering the stream of negative events in an organized and efficient way, the long-term damage from the crisis can be efficiently minimized. Furthermore, much of the potential damage from crisis can be controlled by having a comprehensive crisis management plan (Langford, 1997).

## **Approaches to Crisis Management**

It is advised that manager needs to understand the life cycle of crises as different stages in life cycle require different action. Crisis management is not only developing a plan and executing it during a crisis, but it also recognized as an ongoing process. The life cycle perspective has yielded a variety of staged/phased approaches to crisis management. The staged approaches also provide the mechanism for constructing a framework for organizing the vast and varied crisis management writings. In addition, developing such a comprehensive framework requires an extensive review of the staged approaches to crisis management (Coombs, 1999).

Prior to an implementation of crisis management, a flexible approach and frequent reviews of procedures are crucial for any organization (Bland, 1998). While many literatures have been devoted to the crisis management theory, however, it has been suggested by Bland (1998) that the best way to understand the nature of crisis and how best to handle it is to study other crises and learn from them. To gain an insightful comprehension on crisis management, various approaches are explained and discussed as follows.

### *Campbell's Three- Staged Approach*

Campbell (1999) pointed out that dynamic crisis management demands a balanced mix of strategy involving threat analysis, crisis preparation, and crisis containment with business continuity and recovery. Campbell also stated that much crisis planning tends to be impracticable as it is prepared for certain types of crises, while he argued that his proposed approach is more feasible. Campbell has made an effort to sets out a process for superior performance in lead time, analysis of potential threats, and broader response into recovery. He noted that a crisis plan cannot be based on a standard set of critical decisions that determine specific success, where as it must be flexible and able to cope with a broad range of crisis types. Thus, Campbell has suggested five minor crisis management stages, including identification/discovery, preparation/planning, control, recovery, and learning.

1. *Identification or discovery* of threats is a skill most organizations have, but under-utilize. It is usually difficult to determine the imminent approach of crisis, whilst managers and front-line employees are faced with an endless array of information.
2. *Preparation and planning* can be increased by a number of activities, ranging from threat and vulnerability audits, identification of emerging issues, safety inspection, emergency planning, and improved relationship with employees and external audiences. When a crisis occurs, those organizations which are crisis-prepared will have an ability to listen and to act effectively.
3. *Control* stage aims to stop the effects of crisis as soon as possible and to limit the physical damage to people or property. This stage could be prepared by limiting the possibilities for crisis acceleration.
4. *Recovery* is about developing short and long-term strategies to facilitate fast and orderly recovery from a crisis situation. Assets need to be recovered, repaired, or replaced as needed. Recovery can also include cleaning up environmental issues and dealing with legal implications.
5. *Learning*, as an ongoing process, consists of understanding the crisis management plan and its checklists and procedures and continually reviewing the threats to the organization and reviewing the crisis response. Learning also includes an evaluation of crisis from a wide range of sources and providing quality assurance and ongoing improvement and maintenance across the plan.

Then, Campbell (1999) grouped five minor crisis management stages into three major stages of before, during, and after.

1. *Before*. The first stage involves crisis planning, gaining organization-wide awareness and preparedness, and setting roles and responsibilities. It aims to limit the possibility of crisis, warn of its onset, or, if it hits, limit its effect and duration. This stage includes the identification/discovery and preparation/planning stages.

2. *During.* The second stage is the activation of those plans and responses. The response/control stage is included in this major stage.
3. *After.* The after stage is aimed towards implementing business recovery strategies, and integrating any lessons learnt into the updates crisis plan. This stage contains the minor stage of recovery/learning.

#### *Coombs's Four-Staged Approach*

Coombs (1999) was well aware that the crisis vulnerability escalates the risks of all types of damage, with financial and reputation damage. Nevertheless, effective crisis management can reduce the time it takes to complete the crisis life cycle, prevent a loss of sales, limit reputation damage, preclude the development of public policy issues, save money, and protect lives, health, and the environment. Thus, he provided a guideline that can be applied to the crisis management theory by suggesting four stages of prevention, preparation, performance, and learning.

1. *Prevention.* This stage represents steps taken to avoid crises. Normally, crisis manager often detect the warning signs of a crisis and then take actions that prevent the crisis from occurring. Prevention goes on unseen by public and therefore we rarely read news stories about the crisis that has been prevented ahead of time.
2. *Preparation.* Preparation is the best-known factor in crisis management as it includes the crisis management plan (CMP). In addition, this stage not only involves the CMP but also diagnosing crisis vulnerabilities, selecting and training the crisis management team and spokesperson, creating the crisis portfolio, and refining the crisis communication system. The preparation stage must be tested regularly. The testing involves running simulated crises and drills that determine the fitness of the CMP, crisis team members, spokespersons, and communication system.
3. *Performance.* This stage is the implementation of the preparation components to a crisis. This stage is exposed to the public during a real crisis. An

organization's crisis management performance is frequently reported and critiqued in the news media.

4. *Learning*. During this stage, the organization evaluates its performance in both simulated and real crisis. The organization learns by determining what it did right and wrong during its crisis management performance. Then, the organization stores this information for future use.

The four steps make a complete circle of effective crisis management. If prevention fails, however, preparation is required for the best possible performance. In turn, improving preparation should improve performance (Coombs, 1999).

#### *Augustine's Six-Staged Approach*

Augustine (2000) pointed out in the book "Harvard Business Review on Crisis Management" that almost every crisis contains within itself the seeds of success as well as the roots of failure. Finding, cultivating, and harvesting that potential achievement is the essence of crisis management. To analyze the scope of business crises, Augustine proposed six stages of crisis management.

1. *Avoiding the Crisis*. This is a stage of prevention. Usually, it has been ignored even though it is the least costly and the simplest way to control a potential crisis. Part of the problem is because crises are accepted by many executives as an unavoidable condition of everyday business. To avoid the crisis, Augustine recommended organizations to make a list of everything that could attract troubles to the business, considering the possible consequences, and estimating the cost of prevention. In addition, executives must be well aware that anyone in the organization can plunge an entire organization into a crisis through either misdeed or oversight.
2. *Preparing to Manage the Crisis*. As most executives are preoccupied with the business competition, they are not inclined to pay much attention to planning for future crises. This brings to the second stage of crisis management: preparing for that circumstance when prevention doesn't work. In this stage, it

is crucial to make a plan to deal with a variety of undesirable crisis. It is also helpful to recall that Noah started building the ark before it began to rain. Therefore, organizations could be prepared by establishing a crisis center, making contingency plans, selecting in advance the members of the crisis team, providing ready and redundant communications, and testing those communications.

3. *Recognizing the Crisis.* This is the most challenging stage of crisis management as organizations need to recognize that, in fact, there is a crisis. Companies sometimes misclassify a problem and much problem-solving has been focused on the technical aspects, rather than issues of perception. However, Augustine added that it is often the public perception that causes the crisis. The problem in this stage of crisis management is that public's perception truly does become reality. Apart from a public's perception, it is also advised for executives to listen to their employee when looking for information about a crisis.
4. *Containing the Crisis.* This is the stage in which the tough decisions have to be made and made fast. The problem in this stage is "you don't know what you don't know." In addition, there seems to be too little information or there may be far too much, with no way to prioritize it. Even in the face of contradictory evidence and confusing advice, one cannot remain silent, as "No comment" is now an unacceptable response. Thus, Augustine advised two things in this phase. First, you should clearly state that you do not know all the facts. Then, promptly state the facts you do know. Be aware that the world is not interested in the storms you encountered but in whether you brought the ship in safely.
5. *Resolving the Crisis.* In this stage, speed is of the key as a crisis simply will not wait.
6. *Profiting from the Crisis.* The final stage in crisis management is "making lemonade from the abundance of available lemons." If an organization has coped with crisis by implementing the previous steps flawlessly, the final

stage offers an opportunity to recover some losses at least partially and begin to repair the disruption.

Eventually, Augustine (2000) suggested that it is wise to avoid involving your business in a crisis. But when an organization has to encounter a crisis, it is advised to acknowledge it, manage it, and try to focus on the long term of crisis recovery. The bottom line of crisis management can be summarized in just seven words “Tell the truth and tell it fast.”

#### *Schwartz's Three-Phased Approach*

According to Schwartz (2000), almost every crisis has its signal. In addition, he categorized crisis management process into three series of phases. The three phases are response, damage control, and learning.

1. *Response.* Clearly, one of the worst responses is denial, such as “It isn’t our problem;” “It isn’t a big deal;” “We weren’t at fault.” In this phase, organization should respond quickly and make an effort in coping with crisis.
2. *Damage control.* In this phase, organization should designate a key person who will be responsible for crisis management, respond to the crises, and plan for the next step of crisis management.
3. *Learning.* This is the most important phase. The questions need to be asked are: What did you learn? What new things becomes part of the corporate culture? What sets of values become important? How does it affect the culture? What do people say about that incident? Schwartz added that “We were screwed by the media” is the wrong kind of lesson, whereas “We blew it, but we learned something” is more to the point.

#### *Pacific Asia Travel Association's Four-Phased Approach*

The Pacific Asia Travel Association (2003), an international organization with a focus on Asia Pacific travel, has summarized a crisis management theory into four distinct

phases in the booklet “Crisis: It Won’t Happen to Us” as part of its interest in disaster preparedness. Those four phases are reduction, readiness, response, and recovery.

1. *Reduction*. In this phase, an organization’s analysis of strengths, weakness, opportunities, and threats (a SWOT analysis) will help the managers to assess the potential crisis and to prepare a contingency plan. After identifying potential crises, organizations need to be prepared by developing strategic, tactical and communication plans.
2. *Readiness*, the second phase, crisis response and crisis simulation exercise are very important in order to acquire and maintain crisis management skills as managers and staffs need to be ready for the impact and stress from crises.
3. *Response*, the third phase, a contingency plan is implemented right after when the crisis occurred, as organizations that have a well-established crisis management plan tend to be more successful in handling crises. The crisis communication strategy should be utilized to communicate with not only the customer, but also the stakeholders and the public.
4. *Recovery*. In the last phase, the crisis recovery could be measured with: the speed with which an organization resumes full business operations, the degree of which business recovers to pre-crisis levels, or the amount of crisis-resistance added since the crisis occurred.

#### *Ruff and Aziz’s Four-Staged Approach*

As journalism veterans, Ruff and Aziz (2003) illustrated in the book “Managing Communications in a Crisis” that there are four stages or elements in crisis management, which cover preparation, notification, communications, and recovery.

1. *Emergency Preparedness*. This element is heavily dependent on each business sector and how it is regulated. A small business with a handful of employee is expected to take precautions under health and safety and employee regulations. On the other hand, organizations with many subsidiaries and a



worldwide presence should place greater emphasis on the emergency planning.

2. *Emergency Notification.* Ruff and Aziz explained that this process is usually divided into a) what you are obliged to do under the law and legislation while highest officers of the organization will be informed and updated at regular intervals, and b) what you should do for the good of your business, including a notification to outside bodies with an interest in your sector, such as customers and suppliers.
3. *Crisis Communications.* This process is linked to the Emergency Notification, but involved different disciplines. In this stage, it is important to foresee what the target audiences, both internal and external, will want to know. It also involves assessing what they (the target audiences) should know under given circumstances. In a crisis emergency, it is advised to have draft documents for external audiences prepared in advance.
4. *Crisis Recovery.* Any business or organization that has suffered a physical or reputation crisis has to quickly turn its attention to recovery. Item to look out for in this stage is the need for physical back-up for lost possessions, processes or buildings. Apart from tangible assets, there may also be important issues concerning the restoration of organization's reputation with external audiences, which could be done by strengthening a relationship with suppliers and customers. In addition, it is also crucial to inform those external audiences that an organization is in a period of recovery and that they will receive regular updates about how it is going.

Finally, Ruff and Aziz (2003) noted that stakeholders, particularly investors, will make their judgments on impressions gained through media coverage. Basically, an investor is unlikely to keep their money in an organization that does not appear to be able to confidently handle the unexpected. Thus, a response to crisis will be seen as a direct reflection of how you operate on a day-to-day basis.

### *World Tourism Organization's Three-Staged Approach*

The World Tourism Organization (2005) suggests three stages for a crisis management approach, which are: before a crisis, during the actual problems, and immediately after a crisis. The first stage is to prepare for the worst. It is advised that no one should underestimate the potential crises, as they are sudden, insidious, virulent, and extremely dangerous. Thus, the best way to lessen the impact of a crisis is to be well prepared. The second stage, during the actual problems, aims to minimize damage from a crisis especially in the first 24 hours. An unprofessional response could bring further destruction on a destination, while responsible management of a crisis can actually enhance relations with the travel trade and help a destination recuperate faster. In the last stage, after the crisis, the most important issue is about recovering tourist confidence. Whilst media attention moves quickly to fresh stories, the damage shaped by a crisis can stay in the minds of potential tourists for a long time. Recovery demands a redoubling of efforts, especially in the areas of communications and promotion.

In general, all approaches have certain attributes in common, such as a logical linkage between each phase/stage. It should also be pointed out that most approaches focus on mainly three phases/stages, which are preparing for crisis, handling with crisis, and recovering from crisis. Such approaches could be seen from the World Tourism Organization (2005) and Campbell (1999) approaches and therefore they will be adapted as a framework of this study.

### **Crisis Management in the Hotel Sector**

The hotel sector plays a key role in the world economy (Kotler, Bowen, and Makens, 2003). Unlike tangible products in other industry, staying at the hotel is often recognized as a very human experience, enjoyed, anticipated and remembered by many as some of the most important times of their lives (Cooper, Fletcher, Gilbert, and Wanhill, 2000).

Like other businesses, the hotel sector worldwide has been influenced by crises. It would not be possible to investigate crises in the hotel sector without a discussion on the September 11 tragedy. According to Stafford et al. (2002), the terrorist attack of September 11, 2001 is an extreme case of many potential crises that dominate a decision in business operation. In the United States, the complete shutdown of the U.S. aviation system, due to the September 11 tragedy, had a negative influence on the airline industry by pushing several carriers into bankruptcy and causing others to seek federal loan guarantees. Unquestionably, the downturn of the airline industry would also affect the hotel sector as well.

Other countries have been severely affected by the negative impact of the September 11 events. Within hours of the attacks, cancellations at London's hotels started, not just from Americans but from all over the world, and from within the UK (Hopper, 2002). Caribbean is another region affected by a shock wave of this tragedy, as the economy of this region depends mostly on the tourism businesses (Pratt, 2003). Even one year after the terrorist attacks on New York City and Washington, D.C., the damages are still being felt throughout the U.S. economy and all over the hotel sector (Stafford et al., 2002).

Apart from terrorism, disease outbreak and war crises could slow down the hotel sector as well. This impact of Severe Acute Respiratory Syndrome (SARS) was felt worldwide, but especially in Asia. In Singapore, dubbed as one of the largest SARS affected countries, the outbreak showed an adverse impact on international arrivals and domestic leisure activity (Henderson, 2003). As another example of disease outbreak, the foot-and-mouth disease (FMD) outbreak in Britain in 2001 made its influence felt on non-farming industries, particularly Britain's inbound tourism (Frisby, 2002). Wars in the Middle East also damaged the tourism businesses in this region. With the decline in tourists, hotel occupancy levels in this region were at economically unsustainable levels and inbound operators were forced to reduce staffing levels and cut programs (Beirman, 2002).

To deal with crisis, the proactive planning, or preparation, can help lessen the impact of any type of crises on tourism (Barmen, 2002; Cassedy, 1991). Mostly, managers are infrequently trained or prepared to handle crises resulting from a political crisis.

Thus, decision-making and strategy planning to minimize risk, while operating the hotel business as usual, is crucial for hotel managers as this preparation is part of the proactive approach (Gee, 1994). Crisis management plan also plays a key role in the proactive planning. Even though crisis management plans are sometimes only developed in response to a particular disaster and development occurs with varying degree of speed and effort (Huan, Beaman, and Shelby, 2004), however, it is advised that every hotel should have a crisis contingency plan designed to provide the management guidelines for handling various crises (Gee, 1994).

On the other hand, the reactive planning becomes crucial when crisis does occur. While good communication with the press can reduce the impact of negative publicity, organizations in the hotel sector should appoint a spokesperson to handle with media in time of crisis (Kotler et al., 2003), as this is one of the most important parts in the reactive planning. Interestingly, businesses also apply marketing communication tools as a reactive approach in order to cope with crises. Those frequently implemented tools include: direct marketing (Frisby, 2002; Hopper, 2002), advertising (Frisby, 2002; Hopper, 2002; Litvin and Alderson, 2003; Pratt, 2003), sales promotion (Frisby, 2002; Litvin and Alderson, 2003), public relations (Frisby, 2002; Hopper, 2002; Pratt, 2003), and event marketing (Frisby, 2002).

From the literature review, it is advised that the most universally approach of crisis management in the hotel sector consists of both proactive and reactive approach. However, those two approaches could not turn crisis into opportunity without an effective a contingency plan, or commonly known as a crisis management plan. To further investigate a crisis management in the hotel sector, the next part of this chapter illustrates cooperation in the hotel sector as an integral part of crisis management.

### **Cooperation in the Hotel Sector during Crisis**

It is believed that cooperation among stakeholders in the hotel sector could help recover from crisis. Although crisis management has been an established research field in business and managerial sciences since the early 1970s, it is still a relatively new concept to tourism with much effort needed to investigate various topics including cooperation among industry stakeholders during crises situations (Aktas and

Gunlu, 2005). In Thailand, the literature review shows that in time of crisis there were close consultations between TAT, the Association of Thai Travel Agents (ATTA), the Thai Hotels Association (THA) and other industry associations, Thai Airways International, plus the various privately-owned airlines (Bangkok Post, 2003a).

In the United States, according to Stafford et al. (2002), the hotel industry in Washington D.C., USA, experienced many crises in the past few years, including the September 11 terror in 2001, bio-terrorism threat, and anthrax scare. Those crises create a tourist's perception of Washington D.C. as a prime target for terrorist. To recover from crisis, cooperation among all stakeholders is needed. Stakeholder does not only include hotels, but also restaurants, convention center, attractions, airports, ground transportation, local businesses, organizations, and government tourism agencies. Later on, the group's initiatives composed of 1) ensuring a coordinated response by the Washington D.C.'s hospitality industry; 2) campaigning to reopen a city's airport and other attractions; 3) promoting business and travel to Washington D.C.; and 4) re-establish Washington D.C., as a must-visit destination. After executing the initiative, hotel occupancy has been increased and was close to stabilizing afterwards. Finally, the hotel sector in Washington D.C. returned to near-normal business levels by 2002.

In 2003, the SARS outbreak had a severe adverse impact to the hotel sector. The decline in tourist arrival started immediately when government of many countries issued alert or advisories against traveling to Singapore due to the SARS disease. This cause hotel to freezes recruitment and overtime, while dismissing casual workers and cutting salary in every level. Staffed were asked to spend an unpaid leave, and retained and redeployed where appropriate. To cope with this crisis, an initiative was launched jointly with union bodies and major hotels to monitor temperatures of hotel employee. Guests are asked to complete a health questionnaire and received a SARS educational material. Any hotel that shows the best practice in preventing SARS will receive the "Gold Standard Award." This cooperation eventually reassured and regained the traveler's confidence in visiting and staying in Singapore (Henderson, 2003).

In conclusion, crises do not only affect the hotel sector worldwide, but also the stakeholders within the sector as well. To recover from those crises, cooperation among stakeholders in the hotel sector is essential. In addition, cooperation in the hotel sector does not only limit to the joint-marketing campaign, but also include collaboration in standardizing an operating procedure as well.

### **The Effects of National Culture on Management Styles**

National cultures play a key role in shaping the personal values of manager (Tan, 2002). Fascinatingly, home country environment and culture also have an indirect influence on business behavior and business ethics (Grenness, 2003; Morden and Bowles, 1998; Su and Richelieu, 1999) As a consequence of different national culture, management styles are diverse among countries (Liu and Mackinnon, 2002; Schneider and Littrell, 2003).

National culture has an effect on many business attributes, including a negotiation approach (Chang, 2002), ethical attitude (Chong and Park, 2003; Christie, Kwon, Stoeberl, and Baumhart, 2003; Mwaura, Sutton, and Roberts, 1998), decision making (Chang, 2002; Schramm-Nielsen, 2001), and leadership (Meng, Ashkanasy, and Hartel, 2003; Schneider and Littrell, 2003). Studies have suggested that people from different cultures use different negotiation approaches, and they do so because of differences in their perceptions of the decision-making situation that are conditioned by the characteristics of the national culture from which they come (Chang, 2002).

Since it is important to understand the cross-cultural differences, many researches found that national culture has a strong influence on business managers' ethical attitudes (Chong and Park, 2003; Christie et al., 2003; Mwaura et al., 1998). According to different cultures, there are clear differences in the ways decisions are arrived at in terms of how managers emphasize different phases of the decision-making process (Schramm-Nielsen, 2001). National culture also has a great influence on how managers and employees make decisions and interpret their roles. In other words, the people with different nationalities work together will have different perceptions in their jobs (Chang, 2002). Leadership processes are influenced by the culture in which the leadership process takes place (Meng et al., 2003). As propensity

to innovate and personal values vary across national cultures, we can expect the description and behavior of leaders to vary across national cultures (Schneider and Littrell, 2003).

To better identify the cultural differences, culture is defined as the collective programming of the mind which differentiates members of one group or society from those of another (Litvin and Kar, 2003). Cross-cultural training is essential for all cross-cultural team, including employees remaining in their home country as well as expatriates (Schneider and Littrell, 2003). By using a management style that is culturally accepted, managers would increase the possibility of reaching the financial goals of the organization (Grenness, 2003). Managers also require cross-cultural training in the task of decision making (Liu and Mackinnon, 2002). In addition, managers who better understand the values and beliefs of their counterparts are more likely to be able to conduct business in a country where the traditions and methods are less well known (Ward, Pearson, and Entrekin, 2002).

### **Background of Phuket**

Phuket is one of the most popular tourist attractions of Thailand. According to Lonely Planet (2004), Phuket is Thailand's largest (360 sq mi/930 sq km - about the size of Singapore), most populous and most visited island. Phuket, Thailand's only island province, revolves around and thrives on tourism, but still retains a spark of the real Thailand. The northern half of the island and the interior have not been swept up in the same development and offer quiet beach retreats and the chance to explore rural inland areas. In this wealthiest of Thailand's provinces, the days of ultra-cheap beach bungalows are a distant memory. But Phuket still has some of the most amazing beaches and developed infrastructure in the country.

Phuket is well-known as the site of Patong Beach, a tourist tropical beach resort. Patong is very popular, comparing to other beach destinations in Thailand, as it is less congested than Pattaya and has a wider variety of other attractions nearby (National Geographic, 2004). In addition, there are more tourists in Phuket than on any other island in Thailand. Most tourists enjoy traveling to the beaches on the south western side, which are packed with amenities and entertainment options (Lonely Planet,

2004). Phuket boasts an international airport and many golf courses, attracting groups that want to mix business with pleasure (Iommazzo, 2001). Phuket's restaurants have an excellent reputation. Whilst there are still plenty of beaches for snorkeling and other water sports, there is also a wide variety of non-beach activities (National Geographic, 2004).

There are extensive modes of transportation to reach Phuket. While there is no direct train service from Bangkok to Phuket, and traveling by car can take time, airplane is the most convenient way to commute between Phuket and Bangkok. Phuket Airlines is one of many airlines that fly from Phuket to various destinations worldwide. According to Dennis (2004), Phuket Airlines is owned by local businessman and started operations since December 2001. This airline does not consider itself as a low-fare carrier, nor has it plans to operate one. On the other hand, Phuket Airlines is looking toward international expansion when it met with success in charter operations to China, South Korea and Saudi Arabia for Muslim pilgrims. In addition, Thai government agencies abroad also help in promoting the carrier among foreign travelers as well. According to Aviation Week and Space Technology (2003), the development plan for Phuket Airport prepared by Thailand's national flag carrier, Thai Airways International, represents a major expansion of the facility's infrastructure. This development will nearly double the airport's existing capacity from 5.1 million to 10 million passengers annually. At present, fourteen Asian carriers fly tourists to Phuket.

Phuket, as well as its rival tourism cities including Bali and Penang, has been competing fiercely for meetings, incentives conventions and exhibitions (MICE) business lately. Phuket has about 4,200 rooms at 15 hotels with MICE facilities. Two hotels could provide very large meeting areas for 1,200-2,000 guests, but destination-management firms consider it hard to book large incentive groups in Phuket. (Mertens, 1999a).

Whether it is a large convention or a small incentive, meeting planners find their dollars buy a lot more in Thailand than in the United States because of the devalued Thai Baht. Not only is Thailand extremely economical for planners, it also has the unsurpassed technology and the facilities to accommodate large conventions



(Iommazzo, 2001). In addition, Mertens (1999a) reported that the Asian economic crisis triggered cuts in MICE prices in Phuket, Bali, and Penang. However, many travelers choose Phuket instead of Bali because of the Bali's potential unrest. Furthermore, Phuket also profits from its image as a resort destination. In the past, resort destinations have long attracted mostly company-sponsored travel-trips that rewarded and motivated sales and marketing personnel. At present, however, companies are taking more of their routine meetings and conferences to vacation spots as well.

Phuket is very successful in its marketing campaign, yet previously not doing well in destination development. According to Mertens (1999b), the government has proved a successful 'Amazing Thailand' marketing blitz that aim to increase the tourism growth. But less attention is focused on preserving and improving the appeal of Thai destinations themselves. However, National Geographic (2004) reported that things had been going downward in Phuket for a while until the government launched a belated clean-up campaign in 2003 in time for an APEC summit conference.

Apart from the improvement listed above, the island also underwent an effort to move up market. The result has been the addition of some excellent upscale resorts. First-timer tourist in Phuket would likely be impressed with the island's beauty and the magnificence hotels and resorts. In 2003, Thailand also planed to turn Phuket, a popular resort destination, into an international hub with a 30 billion Baht upgrade as part of a broader plan to turn three regional airports into gateways. The government planed to developed Phuket as the country's southern hub, while Chiang Mai as a hub in the mountainous north, and Ubon Ratchathani as a hub along the eastern border. Of these, Phuket, a beach resort, is seems to be the biggest draw (Aviation Week and Space Technology, 2003).

## **Conclusion**

In general, the literature review shows key factors and future trends that contribute to the growth of the tourism industry in Thailand. Like those in other countries, the tourism industry in Thailand has been influenced by the impact of crisis. Clearly, crises in the tourism industry do not only affect the tourist perception toward Thailand as a safe destination, but also create a domino effect on the hotel sectors nationwide,

including those in Phuket. Hence, effective crisis management is strongly needed. While there are several approaches in managing crisis, this study adopted the World Tourism Organization (2005) and Campbell (1999) approaches as a framework of this study. The review of literature also found that a cooperation among stakeholders in the industry also play a significant part in managing crisis as well.

In the next chapter of this study, a research design, sampling strategy, data collection, and data analysis are discussed.



## **Chapter III**

### **Methodology**

The purpose of this chapter is to describe and justify the research methodology to be used in this study. This chapter consists of five sections. Firstly, the research design will be justified followed by describing sampling strategy. Next, data collection and data analysis strategy will be discussed. Finally, conclusions of the methodology employed in this study will be drawn.

#### **Research Design**

A research design is the framework or the detailed blueprint used to guide a research study, in particular data collection and analysis, towards its objectives (Churchill, 2001; Kumar, Aaker and Day, 1999). The research design ensures that the study will be relevant to the research problem and will use economical procedures. The research design process involves many interrelated decisions, especially the choice of a research approach that determines how the information will be obtained (Kumar, Aaker and Day, 1999).

There are many types of research and, in general, research approaches can be classified into three categories based on the fundamental objective of the research: exploratory, descriptive, or causal (Burns and Bush, 1995; Churchill, 2001; Kumar, Aaker and Day, 1999).

Exploratory research is designed for discovering ideas and insights of the general nature of a problem, and gathering information on the problems associated with doing conclusive research (Churchill, 2001; Kinnear and Taylor, 1996; Kumar, Aaker and Day, 1999). Meanwhile, descriptive research is concerned with determining the frequency of occurrence or the relationship between two variables.

The descriptive research is typically guided by an initial hypothesis (Churchill, 2001), and relies heavily on interrogation of respondents and data available from secondary data sources (Kinnear and Taylor, 1996).

Causal research is used to determine which variables are the cause of what is being predicted [the effect], to understand the nature of the functional relationship between the causal factors [the causes] and the effect to be predicted, and to gather evidence regarding the cause-and-effect relationship (Churchill, 2001; Kinnear and Taylor, 1996).

In order to meet the objectives of this study, the exploratory research approach was selected with an in-depth interview as a data collection method. Specifically, this study utilized the explanatory research approach to determine the following issues:

- Crises that the hotel sector in Thailand and Phuket has faced since September 11, 2001;
- Crisis management strategies of both Thai and foreign hotels;
- Cooperation among Thai and foreign hotels prior to the occurrence of crises; and
- Crisis management approaches that are most suitable for future crises.

### **Sampling Strategy**

The approach used to determine the sampling strategy for this study followed Kinnear and Taylor's (1996) five steps in selecting a sample including defining the population, identifying the most suitable sampling frame, determining sample size, selecting a sampling procedure, and selecting the sample.

#### *Population*

In order to meet the objectives of the study, the sample should be obtained after having faced some crises including the September 11th terrorist attacks in the United States. Based on this criterion, the target population of interest for this research was defined as all hotels in Phuket that have been established before 2001 and were actively providing hospitality services in 2004.

### *Sampling Frame*

The next stage in the sampling process was to determine a suitable sampling frame to represent this population. Several possibilities were considered including the number of rooms, room rate, and quality rating. The best representation of the target population was considered to be hotels and resorts in Phuket with a minimum room rate per night at 1,500 Baht or above because they are the major group of hotel industry in Phuket which were 157 of 549 hotels and resorts in total (TAT Southern Office: Region 4, 2003).

### *Sample Size*

Decisions concerning sample size were based on consideration of the proposed data analysis techniques and pragmatic considerations in terms of time and budgetary constraints of the research. Although a rule of thumb for the number of in-depth interviews is eight to ten (Crabtree et al., 1993), it was decided to target at minimum of 50 respondents to ensure valid data.

### *Sampling Procedure*

This research gathered data from in-depth interviews of hotels managers. As this study was exploratory research, it was acceptable to employ non-probability based sampling methods to select participants (Churchill 1987; Malhotra 1999).

### *Selection of Sample*

A key to succeed in conducting in-depth interviews is to recruit participants who will be able and willing to supply the required information as well as being representative of the population of interest (Stewart and Shamdasani 1990). Hence in the selection of hotels in Phuket, purposive sampling was employed.

Using the advice of TAT Southern Office: Region 4 in Phuket, it was decided to invite all 157 General Managers of hotels and resorts in Phuket with a minimum room

rate per night at 1,500 Baht or above to participate this study to ensure enough sample size as targeted.

### **Data Collection**

In the seven-week period from early September to mid October 2004, interviews were conducted. Each interview followed a semi-structured protocol and lasted for approximately forty-five minutes. The in-depth interviews were conducted in environments in which the participants were comfortable (Stewart and Shamdasani, 1990). Guidelines for these interviews were based on the research objectives and are included in Appendix 1. These guidelines consisted of open-ended questions developed to stimulate thought and were kept relatively brief (Knodel, 1993).

The interviews began with a general discussion of the situation of tourism industry in Phuket. Following the general discussion, respondents were asked how did the crises that have happened recently including September 11, 2001, the American-Iraqi conflict, Bali bombing, the disturbances in the far south of Thailand, and the SARS and Bird Flu epidemics affect their business and how they handled with those crises.

Next, the respondents were then asked whether they have a crisis management plan. If so, they were then asked to briefly explain about the plan, followed by the question of how did they communicate with stakeholders including customers, employees, government, and suppliers during the crisis. The interviews ended with a discussion of the readiness of the hotel for any crisis that might happen in the near future. All interviews were recorded, then transcribed and summarized from the recordings.

### **Data Analysis**

The selection of an appropriate method to analyze the data should take into account the objectives and type of research being done. As the research of this study is in the exploratory stage employing a qualitative method, content analysis of the transcripts data is deemed to be the most appropriate method for this data analysis.

The approach used to analyze the data was adopted from the framework proposed by Miles and Huberman (1994). As a result, the data analysis comprises three phases: data reduction, data display, and conclusion drawing.

Data reduction involves selecting, focusing, simplifying, abstracting, and transforming the data that appear in written up field notes or transcriptions (Miles and Huberman, 1994). Meanwhile, data display is a step of assembling information that permits conclusion drawing. The last phase of data analysis, conclusion drawing and verification, involves stepping back to consider what the analyzed data mean and to assess their implications.

## **Conclusion**

This chapter has reported the methodology to be used in this study. The appropriate research approach was selected in order to meet the objectives of the study. Five steps of sampling strategy including defining the population, identifying the most suitable sampling frame, determining sample size, selecting a sampling procedure, and selecting the sample were also addressed.

In relation to data collection, in-depth interviews were employed to gather the data. The data have been analysed using content analysis of the transcripts data. The results of the data analysis are reported in the next chapter.

## **Chapter IV**

### **Analysis of Data**

The previous chapter described the methodology employed for this study. This chapter will report the results of data analysis beginning with the results of the sampling strategy. The chapter will then move to the results of content analysis of the transcripts data. Finally, conclusions of data analysis will be drawn.

#### **The Results of the Sampling Strategy**

Invitation letters were sent to 157 General Managers of hotels and resorts in Phuket with a minimum room rate per night at 1,500 Baht or above to participate this study. Unfortunately, only 41 hotel managers accepted the invitation, giving the response rate of 26.11 per cent. Although it was planned to obtain a sample of 50, no further respondents were drawn because the actual number of useable responses was higher than the minimum number required for an in-depth interview (Crabtree et al., 1993).

In relation to the respondents' profile, the purposes of profiling and analyzing respondents are to identify the characteristics of respondents, and assess the representativeness of the samples.

The sample of the study contains 68.29 per cent Thai hotels and 31.71 per cent foreign hotels. With regard to hotel size breakdown, 60.97 per cent of the respondents were hotels with 100 rooms or less and 39.03 per cent were hotels with 101 rooms or over.

Lastly, regarding hotel location, almost 50 per cent of the respondents were hotels in Patong beach, with 21.95 and 19.51 per cent were hotels in Kata and Karon beaches respectively. The respondents' profile is summarized in Table 4.1.



**Table 4.1: Profile of Respondents**

<b>Characteristic</b>	<b>Number (Percentage)</b> <b>[n = 41]</b>
<i>Type of Hotel</i>	
Thai Hotel	28 (68.29%)
Foreign Hotel	13 (31.71%)
<i>A Number of Rooms</i>	
50 rooms or less	17 (41.46%)
51-100 rooms	8 (19.51%)
101-200 rooms	5 (12.20%)
201-300 rooms	9 (21.95%)
More than 300 rooms	2 (4.88%)
<i>Location of Hotel</i>	
Patong Beach	19 (46.34%)
Karon Beach	9 (21.95%)
Kata Beach	8 (19.51%)
Kalim Beach	2 (4.88%)
Town	2 (4.88%)
Thalang	1 (2.44%)

Source: Analysis of field data

### **The Results of Content Analysis**

Results of this research are the most detailed qualitative insights available from respondents (Thai and foreign hotel managers). The respondents suggested that 2004 (before Tsunami hit Thailand on 26 December 2004) was a great year for Phuket tourism. Tourists have continually visited Phuket since January. Even during low season period (July-September), the number of visitors did not drop much. This might be because holidaymakers had been waiting for their vacations for a couple of years because of a series of terrorism and health related crisis including September 11, 2001, Bali bombing in 2002, and the American-Iraqi conflict and SARS outbreak in 2003. “Then this year (2004), they (tourists) really wanted to go some where, and they just simply did with regardless to what might happen.” Moreover, in addition to

beautiful scenery, the reputation of Thailand as a great value for money and safe holiday destination has also assisted Phuket attract more foreign tourists in 2004.

### *The Effects of Crises on Phuket Tourism*

In relation to the effects of crises on the Phuket's tourism industry, SARS epidemic had the most detrimental impact in Thai tourism history. The number of tourist visiting Phuket dropped significantly. One participant suggested that "SARS is the worst crisis ever had...we were running at 22 per cent occupancy losing money for two months...we were suffering". A number of hotels were closed, and some hotels used that period for renovating the hotels or restructuring their businesses. Many hotel employees were offered to take leave without pay for a couple months instead of being laid off. Hotels in Phuket also handled with this crisis by offering special promotions which were better deals than they usually offer during low season period. Moreover, they focused more on attracting local tourists.

On the other hand, the Bird Flu outbreak, another health-related crisis, had few effects on tourist arrivals in Phuket. It did cause a number of cancellations at the beginning; however, after WHO and Ministry of Health of Thailand had released fact sheets about how Bird Flu spread out and how to control and prevent from this disease, the number of rebooking was increasing. Hotel managers believed that the way the press reported on the Bird Flu was exaggerate and made people scared.

With regard to terrorism, Bali bombing in 2002 caused travelers slowing down their plans a bit and rescheduling the plans. Few weeks after that, many of them came to Phuket which was considered as a substitute destination. "The reputation of Thailand as a safe holiday destination did persuade tourists visiting Phuket more and more."

Similarly, the terrorist attack on September 11<sup>th</sup>, 2001 had a minimal impact on Phuket tourism. Many tourists and business travelers might feel that it was unsafe to travel, particularly by airplane. However, "they move on and traveling is part of their lives." As a result, the number of foreign tourist arrivals in Phuket did not drop in that year as expected.

Although, in the past, terrorism seems to have smaller effects on Phuket tourism than health-related crises did, most of respondents suggested that if any terrorist's activity happened in Phuket, it would damage the island's tourism industry badly and even worse than SARS did. "We must help one another to prevent Phuket from terrorism and be ready for any crisis that might happen in the future."

### *Crisis Management: Compare and Contrast between Thai and Foreign Hotels*

Even though hotels in Phuket has faced the same crises, the ways they managed those crises were slightly different. Many hotels dealt with crises by using sales promotion campaigns including room rate discounts and special packages. Some hotels, particularly big ones, have turned in-house services into export services, instead of relying on income from occupancy of rooms only. For instance, they have provided laundry services to other hotels and made bakery products by orders of bakery and coffee shops. In addition, some hotels have renovated rooms to offices for rent.

After experiencing detrimental impacts from a number of crises, they realized that focusing on one particular market was not a good idea. Therefore, a number of hotels have handled with crises by approaching new markets like China, Russia and Middle East and make Phuket more affordable for Thai tourists. These tourists occupied hotel rooms and reduced the effects of cancellations from European tourists during crises.

There were differences among Thai and foreign hotels in managing crises. Foreign hotels consider a crisis as a different issue from emergency and they have developed plans for managing both of issues separately. The emergency was defined as an incident that affects the hotel and its guesses and staff at a minimal scale whereas the crisis was considered as a large-scale incident that affects the hotel and its guesses, staff as well as other stakeholders such as business partners. Indeed, the crisis might diminish the hotel's (brand) reputation and image and cause difficulties in running its business in the long run. The plans include instructions, directions, and guidelines to manage the emergency and crisis in written form, and are regularly revised.

The crisis management plan did assist foreign hotels in Phuket when facing a number of crises mentioned previously. The plan reduced the effects of crises on their businesses, and guided them to the recovering stage. Therefore, foreign hotels could handle crises happened pretty well and got back on track faster than Thai hotels.

On the other hand, Thai hotels in Phuket do have only an emergency plan. As a result, most of them did know what to do when the crisis came. They managed the crisis on case-by-case basis. “We waited to see what happened then we reacted.” Most of Thai hotels handled the crises with sales promotions, particularly reducing room rates. If the sales promotions did not improve the situation, then they decided either to close the hotels or suggest their employees to take leave without pay until things were back to normal instead of being laid off. Some hotels did nothing, and just waited for assistance from government bodies. This is because they believed and knew that tourism is very important for Thai economy and the government cannot afford to let this industry collapse.

Thai hotel managers and owners have learnt from the crises that they do need a crisis management plan. However, instead of developing one, many of them have decided to be a member of an international hotel chain in order to get financial and managerial supports when facing the crisis.

According to the findings discussed above, it is clear that there are differences among foreign and Thai hotels in managing the crisis. The major issues of differences are now summarized in Table 4.2.

**Table 4.2: Comparison of Foreign and Thai hotels' Crisis Management**

Foreign Hotels	Thai Hotels
<ul style="list-style-type: none"> <li>• Having a crisis management plan and crisis management team</li> <li>• Managing a crisis proactively</li> <li>• Using long-term approach</li> <li>• Managing a crisis by using standardized procedures</li> <li>• Managing a crisis by following their own plans</li> <li>• Handing a crisis by using both management and marketing tools</li> </ul>	<ul style="list-style-type: none"> <li>• Do not have either a crisis management plan or crisis management team</li> <li>• Managing a crisis reactively</li> <li>• Using short-term approach</li> <li>• Managing a crisis on case-by- case basis</li> <li>• Seeking for assistance from government bodies and following their advices</li> <li>• Handing a crisis mainly by using marketing tools, particularly sales promotion</li> </ul>

*Cooperation among Thai and Foreign Stakeholders*

Although the competition in tourism market in Phuket is very intense, hotels in Phuket have formed alliances during the crises to share information and help one another. Both Thai and foreign hotels in Phuket found that cooperation among themselves and with other stakeholders including restaurants, transportations, communities, and local government could reduce the impacts of crises.

A number of meetings among the stakeholders of Phuket's tourism industry were held in order to exchange information about the crisis and find suitable solutions for managing the crisis. The crisis management procedures that came out from the meetings were then circulated to and implemented by a particular stakeholder.

Information sharing did help the hotels in Phuket cope with the serious crises like SARS virus and Bird Flu epidemic. "Normally we have a meeting once a month to catch up what happens in Phuket...During the crisis, particularly the SARS virus, we shared information on daily basis because we knew that we must help one another." Moreover, these hotels also shared their knowledge about crisis management, and even sent a copy of crisis management plan to another hotel. The reason behind this

cooperation was “the crisis management is not a one man’s job, but working together.”

### *Lessons Learnt from the Crises*

The crises in the past have not only affected the businesses of the hotels in Phuket, but also have given them valuable lessons. Firstly, the hotels have learnt that they cannot rely on only one particular market. They have found that focusing on a couple markets would help them reduce the effects of the crisis. However, they have to find the markets that have similar preferences in tourism services. On top of that, they cannot leave the Thai tourists behind as this group did help them a lot when facing the crisis.

The second lesson is the systematic communication and accurate information, which is very important during the crisis. “Tourism business is very sensitive and negative information could destroy it over night.” During the Bird Flu crisis, Phuket tourism was suffered by news reports. They found that those reports made the situation worse. “The way the press reported the Bird Flu crisis in Asia was absolutely horrible. Many reports were exaggerated.” The hotels had to give the tourists the correct information through the systematic communication to reduce their fear. This communication was supported by the information from reliable sources like government bodies, UN and WHO.

Another lesson in managing a crisis is communication. This includes both internal and external communications. “During crises, all communications must be delivered from one source (person) to avoid confusions among guesses, staff, and media.” Generally, General Manager or Marketing Communication Manager is the person who sends out messages during the crisis. The crisis management team plays an important role in what would get out and how to communicate and then advises the communicator.

The last lesson is they cannot rely on only room occupancy and have to find other sources of income to stabilize the cash flow, in particular during the crisis. To do so,

they have to restructure their businesses and/or develop a new business. Providing a laundry service to other hotels is a good example.

### *Readiness for a Crisis in the Future*

Most of foreign hotels rated themselves being moderately ready for a crisis that might happen in the future. “Although we got the crisis management plan, you never know what will happen and how badly it will affect our business.” Meanwhile, Thai hotels felt not ready for any crisis, and hoped that the government would assist them should they need.

Both foreign and Thai hotel managers agreed that a health-related crisis like SARS epidemic is very difficult to prevent and handle. However, they believed that terrorism is more intimidating because this kind of crisis will affect the whole industry for a long time. For instance, for more than two years, the hotels in Bali have been trying to recover their businesses and make things back to normal; however, Bali’s tourism industry is not yet at where it was before the crisis.

Finally, in order to be ready for the crisis in the future, most foreign hotels revise their crisis management plans regularly and practicing on crisis management procedures is done at least twice a year. Whereas, some Thai hotels have thought to do so, but have not started yet.

### **Conclusion**

This chapter reported the results of the data analysis for this study. The profile of respondents was developed and analysed. The results of content analysis of the transcripts data indicated that there are differences among foreign and Thai hotels in managing the crises. Most of them have learnt many things from the crises in the past. However, they are not really ready for a crisis that might happen in the future. Lastly, both foreign and Thai hotels managers agreed that terrorism is more intimidating than a health-related crisis because it will take years to recover.

# **Chapter V**

## **Conclusions and Implications**

### **Conclusions of the Study**

The first chapter provides a background that underpins this research. It also identifies the research's central problems and justifications. In chapter two, a review of literature is provided to enhance an understanding of crises, crisis management and cooperation in the hotel sector, effects of national culture on management styles, and background of Phuket. This survey of literatures leads to the development of chapter three which describes and justifies the research methodology used in this research, whilst chapter four illustrates process and result of data analysis. The purpose of chapter five, however, is to present a conclusion and managerial implications. This chapter consists of three sections. Firstly, linkages between literatures and findings are drawn. Secondly, feasible managerial implications are discussed, and finally, further recommendations are provided.

As discussed throughout this research, there is clear evidence to suggest that the hotel industry is valuable and is worth protecting. Like other countries, tourism industry in Thailand has been influenced by a series of crises, starting with September 11 in 2001, Bali bombing in 2002, SARS and US-led Iraq war in 2003, and Bird flu in 2004. Although the tsunami crisis has severely affected the hotel industry, it should be pointed out that its impact will not be discussed here as this research has been undertaken prior to an event of the tsunami crisis in late 2004. Instead, it will be referred as an example in the managerial implication section.

This research has identified and confirmed the influence of crises in the hotel industry. Interestingly, same crisis could generate different impact in different tourist destination. For instance, the case of September 11 seems to have a significant adverse impact to tourism in the United States as most tourists and business travelers felt that it is unsafe to travel by airplane (Stafford et al., 2002). In the case of Phuket, however, this research found that this crisis only had a minimal impact on Phuket



tourism. Part of the reasons is because of Thailand's image as a safe destination. Other provocative insight on this outcome is explained by Mertens (2001) that tourism in Thailand largely involves small and medium-size operators which are less vulnerable to the crisis than big operator. Further, tourists also tend to amend their travel plan toward Thailand and other Asian countries due to security issues.

Moreover, same 'crisis type' could also cause different outcome in the same tourist destination. While the terrorism crisis of September 11 only has a small impact on Phuket tourism, this research found that the event of Bali bombing shows certain negative impacts toward the tourism of Phuket. In the Bali case, it could be seen that the similarity of tourism product (as a tropical beach island) and location (southern Asia) between Phuket and Bali could cause a presumption of high threat in Phuket, as this importance has been emphasized by Feinberg (2002). On top of that, Crispin (2002) added that travel advisories from western countries also worsen a tourism situation in Thailand. These outcomes therefore reflect the fact that the same crisis type (e.g. terrorism) does not always convey the same level impact in the same destination.

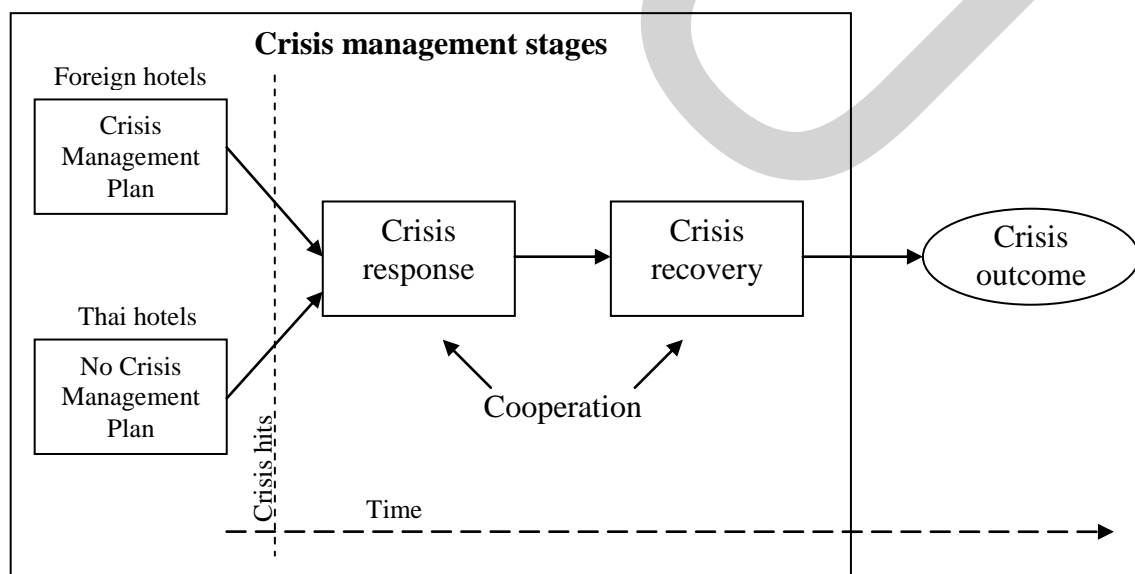
Furthermore, this research also confirms findings from various literatures (e.g. Bangkok Post, 2003a; Crispin, 2003; EIU ViewsWire, 2003a, 2003b, 2003d, 2004; TAT, 2004d) in that the SARS crisis had the most detrimental impact in the tourism industry of Thailand. Another epidemic case could be seen in the Bird flu outbreak. However, Intarakomalyasut (2004a) reported that this crisis has less negative impact than SARS as it could only be affected by a direct contact with infected birds. As discussed earlier in chapter four, this research also found that another factor was the reassurance given by the World Health Organization and the Ministry of Health, Thailand, regarding how bird flu spread and how to control and prevent the disease. This reassurance by health authorities resulted in an increase in bookings that were originally cancelled.

From what has been seen already, it is clear that Phuket hotels therefore require an effective crisis management. Generally, crisis management consists of different scale of analysis, mainly governmental and organizational level. This research, however, focuses at how crisis has been managed in an organizational level. Interestingly, it

reveals that crisis management in Phuket could be classified into proactive and reactive approaches. Foreign hotels in Phuket provide a good example of proactive crisis management by developing a crisis management plan. The benefit of proactive crisis management in tourism is also illustrated by a number of authors (Barmen, 2002; Cassedy, 1991; Gee, 1994) as it could lessen an adverse impact of crisis and provide the management guidelines for handling various crises. Contrary from the proactive one, reactive crisis management approaches are implemented in both Thai and foreign hotels in Phuket. Reactive approaches found in this research mainly include a reassessment of: marketing strategy (offer special promotions / attract local tourists), human resources (lay off staffs / ask staffs to leave with out pay), and infrastructure (renovate the hotel / export in-house service).

As discussed in the previous chapter, result of the examination of hotels operating in Phuket suggests that there are clear differences of crisis management between Thai and foreign hotels. While foreign hotels acknowledge a high priority of having a crisis management plan in place, Thai hotels do not have either a crisis management plan or crisis management team. As a result, this research found that foreign hotels could manage and recover from crisis better than Thai hotels. Details are illustrated in figure 5.1.

**Figure 5.1: Crisis Management Implemented by Thai and Foreign Hotels in Phuket**



Source: Adapted from the World Tourism Organization (2005) and Campbell (1999)

Figure 5.1 outlines a crisis management model for tourism destinations which consists of three stages: crisis preparation, crisis response, and crisis recovery. The proposed model shows that whilst similarity could be seen between Thai and foreign hotels in the crisis response and crisis recovery process, it is evident that having a crisis management plan in the crisis preparation together with cooperation in the crisis recovery stage could influence the speed of crisis management and the crisis outcome as well.

Although this research does not focus on the root that causes different crisis preparedness between Thai and foreign hotels, the literature suggests that culture and resources may influence organizations and results in different crisis management preparedness. Firstly, it is believed that various aspects of management within organizations could be influenced by culture. Generally, culture could be defined as the collective programming of the mind which differentiates members of one group or society from those of another (Litvin and Kar 2003). Although it has been studied in many ways, culture is mostly referred in either national or organizational level. Thus, it is crucial to explicitly employ the term 'national culture' and 'organizational culture' here to avoid confusion.

Santana (1997) and Bland (1998) addressed a relationship between culture and crisis management. According to Santana (1997), previous researches (e.g. Elsubbaugh et al., 2004) have identified the differences of organizational culture between an organization that is "prepared" for crisis and one that is not. They display very contrasting cultural traits and assumptions, which reflect in their ability to anticipate and manage crisis effectively. However, Bland (1998) stressed the importance of national culture which involves a larger scale of analysis. He also argued that the issue of cultural differences should be taken into consideration when handling crisis as there are major cultural differences between individual countries and the way that they view a crisis.

Secondly, the importance of resources plays a significant part in crisis management (Elsubbaugh et al., 2004) as it is crucial for one to choose the right level of resources that are adequate and useful in time of crisis (Bland 1998). Resources required in sophisticated crisis management procedures cannot be implemented at the

organizational level if they do not have the resources. Therefore the level of resources available to be devoted to crisis management preparation will be expected to differ across organizations. The case of SARS outbreak (Henderson 2003) and September 11 (Rosenthal 2003) provide a good example of resources required in the crisis management process. Especially in a terrorism event, Stafford et al. (2002) supported that it is crucial for organizations to have sufficient resources to effectively manage a crisis through coordination of human resources and financial resources.

As discussed above, it should be pointed out that culture and resources might be the key influential factors toward the crisis management preparedness across organizations. However, further research in this area is required to support this assumption. Having addressed these two factors, it is also crucial to acknowledge the necessity of coordination. In time of crisis, this research found that both Thai and foreign hotels in Phuket have developed cooperation with an aim to share information and support one another.

The results from cooperation among themselves and with other stakeholders also show a significant decrease in the impacts of crises. This strategy has been supported by Stafford et al. (2002) who reinforced that hotels do not only need to combine forces with one another in time of crisis, but also need to cooperate with other stakeholders, such as restaurants, convention centers, attractions, airports, ground transportation, local businesses, and government.

In conclusion, a crisis is unavoidable and can happen to any organization (Coombs, 1999). However, it can be managed in order to reduce its effects. As ones cannot know when the crisis will happen, being ready and prepared for it is necessary. It is essential to plan ahead how to manage the crisis, but implementing the plan proactively is more important. Moreover, managing the crisis cannot be done by a single firm. Cooperation among stakeholders within an industry is therefore needed. Finally, most crises contain within itself the seeds of success as well as the roots of failure (Augustine 2000; Holmes, 2003). Hence, hotels should not only focus on managing the crisis, but also seek an opportunity in the crisis at the same time.

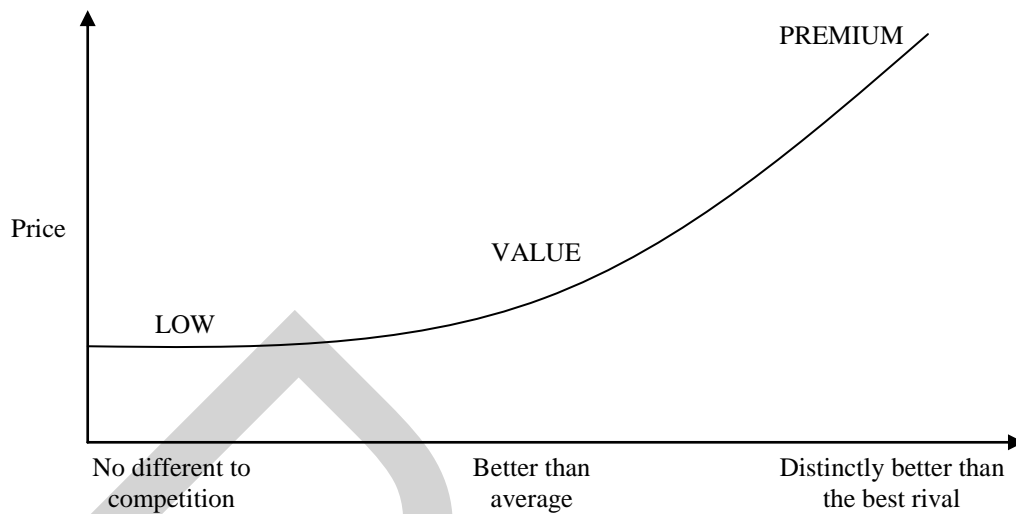
## **Managerial Implications**

There are several implications of this research. Firstly, more focus needs to be given on how to be proactive in dealing with types of tourism crisis, particularly for what can be termed ongoing or prolonged crisis. The sustainable approach of the crisis management involves an establishment of crisis management plan and crisis management team. The plan will guide the crisis management team when their firm is affected by a crisis. Meanwhile, the crisis management team needs to frequently review and practice procedures addressed in the plan. Although much literature has been devoted to crisis management theory and procedures, it has been suggested that the best way to understand the nature of a crisis and how best to handle it is to study other crises and learn from them. As a result, knowledge management about managing a crisis is needed. The knowledge management is very essential for reviewing the crisis management plan in order to keep the plan up-to-date.

Secondly, it is suggested that hotels should not “put all eggs in one basket” by relying heavily on single target market as each market has a different level of sensitivity according to different types of crises. A good example could be seen in the SARS and Iraq war crisis when more than 170 luxury hotels in Thailand offered discount on room rates to lure domestic tourists in order to balance a massive decrease in international tourist arrival. This strategy has therefore significantly boosted their revenue.

Next, low pricing strategy, as frequently implemented by hotels in time of crisis, may be suitable in a short-term plan. Yet, it is not recommended in the long run especially in specific types of hotels (e.g. luxury hotels). In figure 5.2, de Kare-Silver (1997) illustrates how the customer’s perception of value could influence the selection of pricing strategy to be pursued.

**Figure 5.2: Customer Perception of Value**



Source: de Kare-Silver (1997)

According to figure 5.2, low pricing provides many clear examples of single-minded companies who have built a successful strategy on that specific platform. On the other hand, premium price may less easily provide a clear economic rationale, but nevertheless establish a value-added that customer recognize and desire. Value pricing, however, offer a price that customer would deem reasonable or appropriate given the level of perceived value-added of the associated product or service (de Kare-Silver, 1997). As a result, an extended low-pricing strategy after the crisis recovery stage might negatively affect the image and reputation of hotels. Consequently, it is suggested here that hotels have different pricing strategy based on different stages of crisis management and also be able to identify their 'value' price that is reasonable to tourists.

The fourth managerial implication from this research recommends that hotels could continue to maximize their resources during crisis by exporting their in-house service (e.g. laundry or office-space rental). This strategy is proved useful for hotels especially in a very low occupancy period where there are an excess of resources. Another way to make the most of their resources is to attract a MICE business (meetings, incentives, conventions and exhibitions). Economic impact from a MICE business is tremendous as this type of business requires a vast array of hotel resources

such as catering, meeting room, audio visual facilities, hotel room, and so on (Dwyer, Mistilis, Forsyth, and Rao, 2001). In addition, MICE travelers are less susceptible to price and seasonal fluctuations than other sectors of the travel industry. Moreover, they also stay longer and spend more money than most other types of visitor (Murray, 1991). All these factors lead to the importance of MICE as key activities that help restore tourism business which has been severely affected by crises (Bangkok Post, 2005a, 2005b).

In the case of tsunami crisis at the end of 2004, for instance, it could be seen that promoting MICE activities is a quick way to help the tourism industry in the tsunami-affected region (Bangkok Post 2005a).

To this point, this chapter has concluded several key linkages between literature and findings, which lead to a discussion of managerial implication. In the next section, consideration for future studies is presented.

### **Consideration for future studies**

This research found various gaps that should be implemented in future studies. First of all, this research contains 68.29% for Thai and only 31.71% for foreign hotels. Although the response rate is practically acceptable, it is suggested that future study should ensure a good balance between respondents from Thai versus foreign hotel as it will provide more valid and reliable input concerning crisis management in the hotel industry.

Secondly, findings from this research derive from respondents in Phuket area only. It is hence envisaged that future studies should be undertaken in other tourist destination. This will allow researchers to benchmark crisis management in different environment and therefore generalize the conceptual model of crisis preparedness which could be implemented elsewhere.

Thirdly, as this research has been done prior to the tsunami crisis, consequently it will be valuable to replicate this research in Phuket in order to identify changes of attitude and crisis management approach of hotel professionals before / after the tsunami event.

Finally, although a survey of the literature shows several key issues that should be incorporated with the crisis management approach, unfortunately, what the literature has yet to adequately discuss are the influences of culture on crisis management. This research gap therefore requires further explorations in the future.





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## **Appendix 1**

### **Guideline Questions**

1. How did you handle with crises that happened recently?
  - 1.1 Terrorism such as 9/11, Bali bombing
  - 1.2 Health-related crisis such as SARS, Bird flu
2. Which crisis affects your business the most?
3. Have you received any assistance from government bodies (TAT, local government)?
4. What did you learn from them (the crises that happen recently)?
5. Do you have a crisis management plan?
  - 5.1 If so, how did you develop one?
  - 5.2 If not, how would you respond to a crisis that might happen?
6. Have you designated a safe and secure crisis area?
  - 6.1 If so, where?
7. Have you practice crisis alerts periodically through the year?
  - 7.1 If so, how?
8. Have you officially designate a person in charge of crisis management?
  - 8.1 If so, in which area (media communication, emergency center, family assistance)?
  - 8.2 If not, who will be responsible for crisis management?
9. Do you have a trained crisis response team?
  - 9.1 If so, how many are they?
  - 9.2 If so, how did you train them?
10. During the crisis, how did you communicate (press release, advertisement, direct mail, direct contact, etc.) with stakeholders (e.g. customers, employees, government, suppliers)?
11. Are you ready for any crisis that might happen in the near future?